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December 27, 2002

The Honorable Nancy Flavin
Assistant Vice Chairman
House Ways and Means
State House, Room 212
Boston, MA 02133

VIA FAX: 617-722-2847

Dear Representative Flavin:

As a member of the Advisory Committee on Consolidated Health Care Financing, the Small Business Service Bureau (SBSB), Inc. respects the efforts of the Massachusetts State Legislature to examine the challenges facing the Commonwealth's health care system and analyze methods to provide health care coverage to our citizens who remain uninsured.

We are fortunate that health care provided in Massachusetts is among the best in the country. The Commonwealth of Massachusetts has long been a leader in insurance reform, and its efforts in that regard have led to a significant reduction in uninsured individuals from 683,000 in 1995, according to Harvard's School of Public Health, to 418,000 in 2002. But certainly, there's more to be done.

The December 17, 2002 final report by LECG, however, while a useful academic analysis, falls short of the objectives defined in the enabling statute in that it does not "list any and all required policy and budgetary changes needed to implement the proposed systems." It also fails to adequately describe "the revenue streams necessary to implement and sustain" the proposed systems.

The burden of funding increased health care costs already is shifted onto the fully insured small employer market. Small business "pays" for inadequate financing of health care by state and federal governments, by large employers that negotiate deep discounts, and through a hefty array of mandated benefits. And in 2003, health care rate increases are expected to increase by more than 20 percent. Small businesses are being forced to reduce benefits and increase deductibles and copayments just to retain coverage for their employees.

At the same time, the self employed and other small business owners in Massachusetts, who generate 75 percent of net new jobs, recently have seen their taxes increase. Yet all of the proposed models in the report--and particularly the single payer system with startup costs of \$134 million and annual costs of \$3 billion to \$6 billion--would have to be funded by additional tax revenues and significantly would increase the tax burden on Massachusetts' small business owners, which they cannot afford.

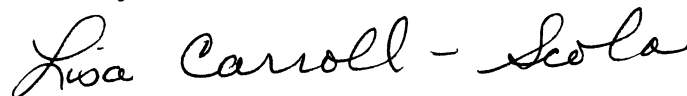
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We also are concerned that significant funding for these systems would come from the Uncompensated Care Pool, which is a flawed mechanism for financing health care reform. This methodology is even more concerning given the anticipated \$152 million pool deficit in fiscal 2003, which is expected to balloon to more than \$500 million in fiscal 2005. For that reason, we think that the study models fail to adequately describe not only how the models impact the uninsured, but also, how, if at all, the models would impact the hundreds of thousands of people who currently enjoy full coverage through their small business employer.

Overall, we continue to feel that more work needs to be done, and that the study doesn't clearly describe "impacts of various models on individuals of different income levels and on employers of different sizes," as described in the consultant's contract. What's good for big business, isn't always good for small business, and the report does not sufficiently address equity in Massachusetts' health care market.

We look forward to continuing to work with the Legislature, and the new administration, as additional efforts are made to examine the system and deliver affordable health care to small- and mid-sized businesses, which are essential to the Commonwealth's economy. If you have any questions or need any additional information from SBSB, call me or Jeffrey Busha, director of legislative affairs, at 1-800-343-0939, extension 234.

Sincerely,

A handwritten signature in cursive script that reads "Lisa Carroll - Scola".

Lisa Carroll-Scola
Vice President